

REFERENCE TITLE: state employees health insurance; committee

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HB 2792

Introduced by
Representatives Konopnicki: Adams, Driggs, Groe, Mason, Stump, Senator
Flake

AN ACT

AMENDING SECTION 38-651, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 4, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-659; RELATING TO STATE EMPLOYEE HEALTH AND ACCIDENT INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-651, Arizona Revised Statutes, is amended to
3 read:

4 38-651. Expenditure of monies for health and accident insurance

5 A. The department of administration may expend public monies
6 appropriated for such purpose to procure health and accident coverage for
7 full-time officers and employees of ~~the~~ THIS state and its departments and
8 agencies, SUBJECT TO THE APPROVAL OF THE STATE HEALTH INSURANCE REVIEW
9 COMMITTEE ESTABLISHED BY SECTION 38-659. The department of administration
10 may adopt rules which provide that if an employee dies while the employee's
11 surviving spouse's health insurance is in force, the surviving spouse shall
12 be entitled to no more than thirty-six months of extended coverage at one
13 hundred two per cent of the group rates by paying the premiums. No public
14 monies may be expended to pay all or any part of the premium of health
15 insurance continued in force by the surviving spouse. The department of
16 administration shall seek a variety of plans, including indemnity health
17 insurance, hospital and medical service plans, dental plans and health
18 maintenance organizations. On a recommendation of the department of
19 administration and the review of the joint legislative budget committee, the
20 department of administration may self-insure for the purposes of this
21 subsection. If the department of administration self-insures, the department
22 may contract directly with preferred provider organizations, physician and
23 hospital networks, indemnity health insurers, hospital and medical service
24 plans, dental plans and health maintenance organizations. If the department
25 self-insures, the department shall provide that the self-insurance program
26 include all health coverage benefits that are mandated pursuant to title 20.
27 The self-insurance program shall include provisions to provide for the
28 protection of the officers and employees, including grievance procedures for
29 claim or treatment denials, creditable coverage determinations,
30 dissatisfaction with care and access to care issues. The department of
31 administration by rule shall designate and adopt performance standards,
32 including cost competitiveness, utilization review issues, network
33 development and access, conversion and implementation, report timeliness,
34 quality outcomes and customer satisfaction for qualifying plans. The
35 qualifying plans for which the standards are adopted include indemnity health
36 insurance, hospital and medical service plans, closed panel medical and
37 dental plans and health maintenance organizations, and for eligibility of
38 officers and employees to participate in such plans. Any indemnity health
39 insurance or hospital and medical service plan designated as a qualifying
40 plan by the department of administration must be open for enrollment to all
41 permanent full-time state employees, except that any plan established prior
42 to June 6, 1977 may be continued as a separate plan. Any closed panel
43 medical or dental plan or health maintenance organization designated as the
44 qualifying plan by the department of administration must be open for
45 enrollment to all permanent full-time state employees residing within the

1 geographic area or area to be served by the plan or organization. Officers
2 and employees may select coverage under the available options.

3 B. The department of administration may expend public monies
4 appropriated for such purpose to procure health and accident coverage for the
5 dependents of full-time officers and employees of the state and its
6 departments and agencies. The department of administration shall seek a
7 variety of plans, including indemnity health insurance, hospital and medical
8 service plans, dental plans and health maintenance organizations. On a
9 recommendation of the department of administration and the review of the
10 joint legislative budget committee, the department of administration may
11 self-insure for the purposes of this subsection. If the department of
12 administration self-insures, the department may contract directly with
13 preferred provider organizations, physician and hospital networks, indemnity
14 health insurers, hospital and medical service plans, dental plans and health
15 maintenance organizations. If the department self-insures, the department
16 shall provide that the self-insurance program include all health coverage
17 benefits that are mandated pursuant to title 20. The self-insurance program
18 shall include provisions to provide for the protection of the officers and
19 employees, including grievance procedures for claim or treatment denials,
20 creditable coverage determinations, dissatisfaction with care and access to
21 care issues. The department of administration by rule shall designate and
22 adopt performance standards, including cost competitiveness, utilization
23 review issues, network development and access, conversion and implementation,
24 report timeliness, quality outcomes and customer satisfaction for qualifying
25 plans. The qualifying plans for which the standards are adopted include
26 indemnity health insurance, hospital and medical service plans, closed panel
27 medical and dental plans and health maintenance organizations, and for
28 eligibility of the dependents of officers and employees to participate in
29 such plans. Any indemnity health insurance or hospital and medical service
30 plan designated as a qualifying plan by the department of administration must
31 be open for enrollment to all permanent full-time state employees, except
32 that any plan established prior to June 6, 1977 may be continued as a
33 separate plan. Any closed panel medical or dental plan or health maintenance
34 organization designated as a qualifying plan by the department of
35 administration must be open for enrollment to all permanent full-time state
36 employees residing within the geographic area or area to be served by the
37 plan or organization. Officers and employees may select coverage under the
38 available options.

39 C. The department of administration may designate the Arizona health
40 care cost containment system established by title 36, chapter 29 as a
41 qualifying plan for the provision of health and accident coverage to
42 full-time state officers and employees and their dependents. The Arizona
43 health care cost containment system shall not be the exclusive qualifying
44 plan for health and accident coverage for state officers and employees either
45 on a statewide or regional basis.

1 D. Except as provided in section 38-652, public monies expended
2 pursuant to this section each month shall not exceed:

3 1. Five hundred dollars multiplied by the number of officers and
4 employees who receive individual coverage.

5 2. One thousand two hundred dollars multiplied by the number of
6 married couples if both members of the couple are either officers or
7 employees and each receives individual coverage or family coverage.

8 3. One thousand two hundred dollars multiplied by the number of
9 officers or employees who receive family coverage if the spouses of the
10 officers or employees are not officers or employees.

11 E. Subsection D of this section:

12 1. Establishes a total maximum expenditure of public monies pursuant
13 to this section.

14 2. Does not establish a minimum or maximum expenditure for each
15 individual officer or employee.

16 F. In order to ensure that an officer or employee does not suffer a
17 financial penalty or receive a financial benefit based on the officer's or
18 employee's age, gender or health status, the department of administration
19 shall consider implementing the following:

20 1. Requests for proposals for health insurance that specify that the
21 carrier's proposed premiums for each plan be based on the expected age,
22 gender and health status of the entire pool of employees and officers and
23 their family members enrolled in all qualifying plans and not on the age,
24 gender or health status of the individuals expected to enroll in the
25 particular plan for which the premium is proposed.

26 2. Recommendations from a legislatively established study group on
27 risk adjustments relating to a system for reallocating premium revenues among
28 the contracting qualifying plans to the extent necessary to adjust the
29 revenues received by any carrier to reflect differences between the average
30 age, gender and health status of the enrollees in that carrier's plan or
31 plans and the average age, gender and health status of all enrollees in all
32 qualifying plans.

33 G. Each officer or employee shall certify on the initial application
34 for family coverage that such officer or employee is not receiving more than
35 the contribution for which eligible pursuant to subsection D of this section.
36 Each officer or employee shall also provide such certification on any change
37 of coverage or marital status.

38 H. If a qualifying health maintenance organization is not available to
39 an officer or employee within fifty miles of the officer's or employee's
40 residence and the officer or employee is enrolled in a qualifying plan, the
41 officer or employee shall be offered the opportunity to enroll with a health
42 maintenance organization when the option becomes available. If a health
43 maintenance organization is available within fifty miles and it is determined
44 by the department of administration that there is an insufficient number of
45 medical providers in the organization, the department may provide for a

1 change in enrollment from plans designated by the director when additional
2 medical providers join the organization.

3 I. Notwithstanding the provisions of subsection H of this section,
4 officers and employees who enroll in a qualifying plan and reside outside the
5 area of a qualifying health maintenance organization shall be offered the
6 option to enroll with a qualified health maintenance organization offered
7 through their provider under the same premiums as if they lived within the
8 area boundaries of the qualified health maintenance organization, provided
9 that:

10 1. All medical services are rendered and received at an office
11 designated by the qualifying health maintenance organization or at a facility
12 referred by the health maintenance organization.

13 2. All nonemergency or nonurgent travel, ambulatory and other expenses
14 from the residence area of the officer or employee to the designated office
15 of the qualifying health maintenance organization or the facility referred by
16 the health maintenance organization shall be the responsibility of and at the
17 expense of the officer or employee.

18 3. All emergency or urgent travel, ambulatory and other expenses from
19 the residence area of the officer or employee to the designated office of the
20 qualifying health maintenance organization or the facility referred by the
21 health maintenance organization shall be paid pursuant to any agreement
22 between the health maintenance organization and the officer or employee
23 living outside the area of the qualifying health maintenance organization.

24 J. The department of administration shall allow any school district in
25 this state that meets the requirements of section 15-388, a charter school in
26 this state that meets the requirements of section 15-187.01 or a city, town,
27 county, community college district, special taxing district, authority or
28 public entity organized pursuant to the laws of this state that meets the
29 requirements of section 38-656 to participate in the health and accident
30 coverage prescribed in this section, except that participation is only
31 allowed in a health plan that is offered by the department and that is
32 subject to title 20, chapter 1, article 1. A school district, a charter
33 school, a city, a town, a county, a community college district, a special
34 taxing district, an authority or any public entity organized pursuant to the
35 laws of this state rather than the state shall pay directly to the benefits
36 provider the premium for its employees.

37 K. The department of administration shall determine the actual
38 administrative and operational costs associated with school districts,
39 charter schools, cities, towns, counties, community college districts,
40 special taxing districts, authorities and public entities organized pursuant
41 to the laws of this state participating in the state health and accident
42 insurance coverage. These costs shall be allocated to each school district,
43 charter school, city, town, county, community college district, special
44 taxing district, authority and public entity organized pursuant to the laws
45 of this state based upon the total number of employees participating in the

1 coverage. This subsection only applies to a health plan that is offered by
2 the department and that is subject to title 20, chapter 1, article 1.

3 L. Insurance providers contracting with the state shall separately
4 maintain records that delineate claims and other expenses attributable to
5 participation of a school district, charter school, city, town, county,
6 community college district, special taxing district, authority and public
7 entity organized pursuant to the laws of this state in the state health and
8 accident insurance coverage and, by November 1 of each year, shall report to
9 the department of administration the extent to which state costs are impacted
10 by participation of school districts, charter schools, cities, towns,
11 counties, community college districts, special taxing districts, authorities
12 and public entities organized pursuant to the laws of this state in the state
13 health and accident insurance coverage. By December 1 of each year, the
14 director of the department of administration shall submit a report to the
15 president of the senate and the speaker of the house of representatives
16 detailing the information provided to the department by the insurance
17 providers and including any recommendations for possible legislative action.

18 M. Notwithstanding subsection J of this section, any school district
19 in this state that meets the requirements of section 15-388, a charter school
20 in this state that meets the requirements of section 15-187.01 or a city,
21 town, county, community college district, special taxing district, authority
22 or public entity organized pursuant to the laws of this state that meets the
23 requirements of section 38-656 may apply to the department of administration
24 to participate in the self-insurance program that is provided by this section
25 pursuant to rules adopted by the department. A participating entity shall
26 reimburse the department for all premiums and administrative or other
27 insurance costs. The department shall actuarially prescribe the annual
28 premium for each participating entity to reflect the actual cost of each
29 participating entity.

30 N. Any person that submits a bid to provide health and accident
31 coverage pursuant to this section shall disclose any court or administrative
32 judgments or orders issued against that person within the last ten years
33 before the submittal.

34 Sec. 2. Title 38, chapter 4, article 4, Arizona Revised Statutes, is
35 amended by adding section 38-659, to read:

36 38-659. State health insurance review committee; membership;
37 duties; definition

38 A. THE STATE HEALTH INSURANCE REVIEW COMMITTEE IS ESTABLISHED
39 CONSISTING OF:

40 1. FIVE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR AND WHO HAVE
41 KNOWLEDGE AND EXPERIENCE IN HEALTH AND ACCIDENT INSURANCE ISSUES.

42 2. ONE MEMBER OF THE SENATE WHO IS APPOINTED BY THE PRESIDENT OF THE
43 SENATE AS AN ADVISORY MEMBER.

44 3. ONE MEMBER OF THE HOUSE OF REPRESENTATIVES WHO IS APPOINTED BY THE
45 SPEAKER OF THE HOUSE OF REPRESENTATIVES AS AN ADVISORY MEMBER.

1 B. COMMITTEE MEMBERS ARE ELIGIBLE TO RECEIVE REIMBURSEMENT OF EXPENSES
2 PURSUANT TO ARTICLE 2 OF THIS CHAPTER.

3 C. THE COMMITTEE SHALL REVIEW THE CONTRACT THAT THE DEPARTMENT OF
4 ADMINISTRATION PROPOSES TO ISSUE IN OBTAINING HEALTH AND ACCIDENT COVERAGE
5 FOR THOSE PERSONS WHO ARE ENTITLED TO OBTAIN HEALTH AND ACCIDENT INSURANCE
6 PURSUANT TO THIS ARTICLE AND APPROVE THE CONTRACT IF THE RATES AND COVERAGE
7 OF THE CONTRACT COMPLY WITH STATE STATUTES AND ARE REASONABLE BASED ON:

8 1. THE ACTUARIAL ASSUMPTIONS AND METHODOLOGY USED TO SET THE PREMIUMS
9 AND RESERVE BALANCE.

10 2. WHETHER THE RESERVE BALANCE TARGETS ARE ACTUARIALLY SOUND BASED ON
11 COMMONLY ACCEPTED FACTORS INCLUDING YEAR-TO-DATE EXPERIENCE AND TOTAL
12 EXPECTED EXPERIENCE.

13 D. INFORMATION PROVIDED TO THE COMMITTEE REMAINS CONFIDENTIAL UNTIL
14 THE CONTRACT AWARD IS MADE IN COMPLIANCE WITH TITLE 41, CHAPTER 23.

15 E. FOR THE PURPOSES OF THIS SECTION, "ADVISORY MEMBER" MEANS A MEMBER
16 WHO ADVISES OTHER COMMITTEE MEMBERS DURING MEETINGS BUT WHO IS INELIGIBLE TO
17 VOTE AND IS NOT A MEMBER FOR THE PURPOSES OF DETERMINING IF A QUORUM IS
18 PRESENT AND IS NOT ELIGIBLE TO RECEIVE ANY COMPENSATION.